WEEKLY ECONOMIC REVIEW

MARCH 24, 2005

The U.S. Federal Reserve Board raised its key interest rate by 25 basis points (0.25 percentage points), to 2.75%. As a result, the U.S. Federal Funds rate surpassed the Bank of Canada's overnight rate (2.5%) for the first time since 2001. In its accompanying statement, the Federal Reserve Board hinted at increased concerns regarding inflationary pressures. Markets interpreted the statement as implying that the future pace of U.S. interest rate increases may be more rapid than previously anticipated, in order to curb U.S. inflation (which rose to 3.0% in February).

The prospect of higher U.S. interest rates was the key factor driving a strong rally in the U.S. dollar. The Canadian dollar was one of several currencies to lose ground against the greenback, declining by nearly one cent during the week, to 82.3 cents US.

Canadian retail sales jumped 2.0% in January, exceeding expectations. Alberta's retail sales also showed a strong monthly gain (+1.6%), and were up a remarkable 13.7% from January of 2004 - the highest annual increase of any province.

Cdn Dollar (C¢/US$)

Mar 24, 2005	82.3¢
Mar 18, 2005	83.1¢
2004-05 YTD	78.3¢

WTI Oil US$/bbl

Mar 23, 2005	$53.81
Mar 17, 2005	$56.40
2004-05 YTD	$44.85

Nymex Natural Gas C$/mcf*

May Contract

Mar 24, 2005	$8.58
Mar 18, 2005	$8.67

*estimate based on Nymex Futures Market Price

Canada's CPI inflation rate edged up slightly in February, to 2.1%. The Bank of Canada's measure of 'core' inflation, which excludes the eight most volatile components of the CPI, was at 1.8%, remaining well within the Bank of Canada's target range of 1-3% and reinforcing the market view that Canadian interest rates will remain on hold through the first half of 2005. Alberta's annual CPI inflation rate was a mere 1.5%.

Oil prices pulled back from record highs this week, due to a build-up in U.S. inventories and concerns regarding the effects of rising U.S. interest rates on economic growth and energy demand.

Economic Indicators Released this Week	Reference Period	Month/Previous Month (M/M)	Month/Previous Year's Month (Y/Y)	Year-to-date[1]
Consumer Price Index	February			
Alberta	131.9	0.2%	1.5%	1.5%
Canada	125.8	0.4%	2.1%	2.0%
Retail Trade ($ millions)	January			
Alberta	3,781	1.6%	13.7%	N/a
Canada	29,820	2.0%	7.9%	N/a
Wholesale Trade ($ millions)	January			
Alberta	4,221	-0.3%	16.4%	N/a
Canada	38,576	-0.2%	8.7%	N/a

Source: Statistics Canada

[1] *Year-to-date 2005 compared to the same time period in 2004. For example: January-February 2005 versus January-February 2004*